

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF ONAWA, IOWA  
FOR THE YEAR ENDED JUNE 30, 2005

PREPARED BY THE  
OFFICE OF THE CITY CLERK

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## INTRODUCTORY SECTION



Jim Hunt, City Administrator  
Rebecca Tanner, Mayor  
Chris R. Hogan, City Clerk  
Terry R. Christensen, Deputy Clerk  
Elaine D. Miller, Adm Assistant  
(712) 433-1181  
Fax (712) 433-1128

Jeffery Sander  
Superintendent of Utilities  
Roger Gries  
Asst. Superintendent of Utilities  
(712) 433-1511

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## CITY OF ONAWA

914 Diamond Street • Onawa, Iowa 51040

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Honorable Mayor and City Council  
City of Onawa  
Onawa, Iowa

We are pleased to provide you with the Comprehensive Annual Financial Report (CAFR) of the City of Onawa. This report is for the fiscal year ended June 30, 2005. The report is submitted each year as required by State Law, Chapter 11.6. The report is prepared according to generally accepted accounting principles (GAAP) for government as established by the Governmental Accounting Standards Board (GASB). It is audited by Henjes, Conner & Williams, P.C.

The city's Department of Accounting prepared our report. Management of the city is responsible for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures. To the best of our knowledge and belief, the enclosed information is accurate in all material aspects and is presented in a manner designed to fairly present the financial position and results of operations of the city as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain a complete understanding of the City of Onawa's financial activities have been included. Management of the city has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statement in conformity with GAAP. Since the cost of internal controls should not outweigh their benefits, the City of Onawa's internal controls have been designed to provide reasonable, rather than absolute assurance that the financial statement will be free from material misstatement.

This report is designed to meet the needs of a wide range of financial statement readers, and is presented in three sections.

The **Introductory Section** consists of this transmittal letter, a table of contents, a list of the City's principal elected and appointed officials, an organizational chart.

The **Financial Section** consists of the Independent Auditor's Report completed by Henjes, Conner & Williams, P.C., Management's Discussion and Analysis, Government Wide Financial Statements, the Fund Financial Statements, Notes to the Financial Statements, and Other Required Combining and Supplemental Information.

The **Statistical Section**, which is unaudited, consists of selected financial and demographic information for ten years, generally presented on a multi-year basis. This section is intended to offer the reader a better overall picture of the financial and economic trends of the City of Onawa.

GAAP require that management provide an introduction, overview and analysis to accompany the basic financial statement, in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement MD&A, found immediately following the report of the City's independent auditors, and should be read in conjunction therewith. State statutes and the City Code require an annual audit by independent certified public accountants to provide reasonable assurance that the information in the CAFR can be relied upon. The auditors' report is included in the financial section of the report.

## **PROFILE OF THE CITY OF ONAWA**

The City of Onawa was incorporated in 1859 under the provisions of the Iowa State Legislature. It is located in Monona County on Interstate 29 about 35 miles south of Sioux City, Iowa and 60 miles north of Omaha, Nebraska on the western edge of Iowa. The population is approximately 3100.

The City of Onawa operates under a Mayor-council form of government. One council member is elected from each of the City's four wards and two are elected at-large. The City administrator is responsible for the day-to-day management of the City. All departments and department directors report to the City Administrator, with the exception of the Library Director who is supervised by an appointed Board of Trustees.

## **FINANCIAL INFORMATION**

The City of Onawa maintains an internal control structure designed to provide reasonable, but not absolute assurance that the assets of the city are protected from loss, theft, or fraud and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The requirement for reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City recognizes the importance of leadership from management in these controls. The City Council has adopted a personnel policy that provides guidance as to certain elements of the internal control structure. The employees are updated on changes to these ethics and personnel policies to stress that internal control are an important element of the public's trust. The City has incorporated the personnel policy in the training of all employees and elected officials.

The foundation of the City's financial planning and control is the annual budget. The budget process includes sessions with staff, management, and the City Council. To ensure compliance with legal budgetary controls, the City Council and management receive monthly reports comparing budgeted amounts to actual expenditures. The City Council may make additional appropriations during the year for unanticipated revenues or capital projects which were not completed in the prior year. Budget-to-actual comparisons by fund are provided in the fund subsection of this report for all funds requiring an appropriated annual budget, and summarized in the notes to the financial statements.

State laws require audits for cities such as Onawa to be conducted by the auditor of state or by certified public accountants. In addition to meeting state requirements, the audit must meet the requirements of the federal Single Audit Act of 1984, and the Single Audit Act amendments of 1996 which substantially revised various provisions of the 1984 Act, and the related U.S. Office of Management and Budget's Circular A-133. An audit is conducted annually in accordance with generally accepted auditing standards and the standards set forth in the General Accounting Office's Government Auditing Standards. It must examine, among other things, the financial condition and resources of the City, and accuracy of the City's accounts and reports. The audit report is contained the Financial Section which follows.

## **FACTORS AFFECTING FINANCIAL CONDITION**

**Local Economy.** The City of Onawa is the largest city in Monona County, and also the County Seat. Onawa offers a convenient small town atmosphere while being only a 30 minute drive to a large metropolitan area.

The City's downtown as well as other areas of town continue to see improvements to buildings through the grant program established several years ago. The program gives a business that qualifies and spends money to remodel or improve the exterior of their building a \$2,500 forgivable grant and a \$2,500 loan from the Community Foundation.

The City of Onawa completed the construction of a 2.3 million dollar addition to the Onawa Public Library during the fiscal year.

Local health care continues to improve with the Burgess Health Center announcing a new construction project of approximately \$10 million to begin in 2005. This project will add additional beds to the center as well as space to several departments to offer the residents of Onawa access to the best health care.

**Long-term Financial Planning.** The City of Onawa operates with a cash and investment pool concept, whereby funds not individually invested to the credit of a particular fund are invested to the credit of the General Fund. This is consistent with state law, which provides that with the exception of bond covenants and local ordinances that require investments by fund, investments can be pooled and invested to the credit of the General Fund.

It is the policy of the City to invest public funds in a manner which will provide the maximum security, meet daily cash flow demands, and provide the highest investment return while conforming to all state and local statutes governing the investment of public funds.

The City may invest in any of the securities identified as eligible investments defined in the City of Onawa Investment Policy. In general these consist of interest bearing savings accounts, certificates of deposits, United States Treasury Notes and Bonds, Iowa Public Agency Investment Trust, and government sponsored securities.

**Risk Management.** The City also manages medical, dental, and vision insurance for its employees via a risk-retention plan administered by a third party administrator. Costs of the program include medical benefits, administration fees, and premiums for stop-loss coverage with limits of \$20,000 per covered employee per year and 125% of expected claims for the year for the City as a whole. The City continues to analyze the insurance market, and educate employees to control rising health care costs. An annual actuarial study provides analysis and information to help the City comply with local and state requirements.

The City is also exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible and claims in the excess of coverage limitations.

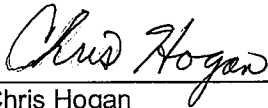
**Pension Benefits.** All permanent City employees are covered by one of two pension plans. Most uniformed employees are included in the Municipal Fire and Police Retirement System of Iowa (MFPRSI), which is a cost-sharing, defined benefit plan, administered by a Board of Trustees appointed by the State of Iowa. All other eligible City employees are covered by the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing, defined benefit plan administered by the State of Iowa.

The City of Onawa does not provide postretirement health, dental, or vision care benefits for any retirees.

**Awards and Acknowledgments.** The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Onawa for its comprehensive annual financial report (CAFR) for the year ended June 30, 2004. In order to receive this award, the city must publish an easily readable and efficiently organized CAFR. The report must also satisfy both generally accepted accounting principles and applicable legal requirements. The award is valid for one year only. The City is submitting the 2005 annual financial report to GFOA for review to determine its eligibility for an award.

The preparation of this report could not have been accomplished without the support and dedication of the entire staff of the finance and administrative departments. Appreciation is also expressed to the mayor and city council for their support and interest in the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script, reading "Chris Hogan", positioned above a horizontal line.

Chris Hogan  
City Clerk

A handwritten signature in cursive script, reading "Terry Christensen", positioned above a horizontal line.

Terry Christensen  
Deputy Clerk



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Onawa,  
Iowa

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



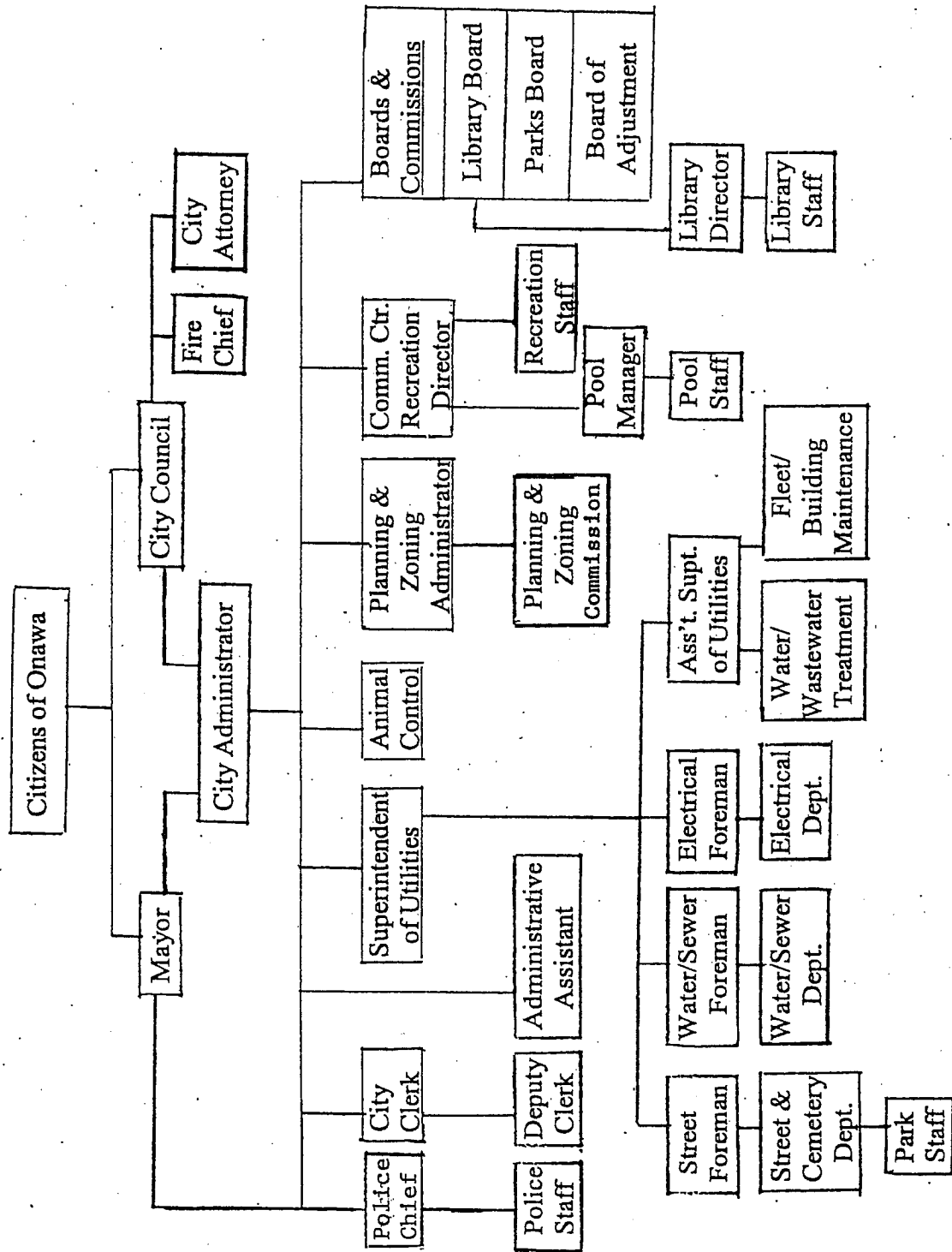
*Nancy L. Ziehl*

President

*Jeffrey R. Emer*

Executive Director

CITY OF ONAWA ORGANIZATIONAL CHART (Revised 4/15/03)



CITY OF ONAWA, IOWA

CITY OFFICIALS

JUNE 30, 2005

ELECTED CITY OFFICERS

<u>Name</u>	<u>Title</u>
Tim Peters – resigned 6/28/05	Mayor
Neal Leapley – appointed 7/26/05	Mayor Protem
Lonnie Campbell	Council Member
Tim Coyle	Council Member
Brett Ewing	Council Member
Dawn Cass	Council Member
Ken Fegler – resigned 2/10/05	Council Member
Dick Schlitter – appointed 2/22/05	Council Member

APPOINTED CITY OFFICERS

Jim Hunt	City Administrator
Chris Hogan	City Clerk
Mike Schmiedt	Attorney
Jack Virtue	City Engineer

CITY OF ONAWA, IOWA

APPOINTED BOARDS AND COMMISSIONS

JUNE 30, 2005

ONAWA PARKS AND PLAYGROUNDS

Jill Hausman  
Jon Singlestad  
Mike Richardson  
Doug Kuhlman

LIBRARY TRUSTEES

Ann Coberly  
Dianne Kelley  
William Wonder  
Terry Virtue  
Claudine Johnston

PLANNING AND ZONING BOARD

Darrell Geib  
Roger Hansen  
vacant  
Ken Wingert  
Bob Lesenyie  
Gloria Maxwell  
Richard Merritt

BOARD OF ADJUSTMENTS

Bert Seitzinger  
Joe Scurlock  
Randy Cass  
Newt McCunn  
Larry Duval  
Richard Driver  
Bill Gantz

HEALTH OFFICER

Family Medicine Clinic

FIRE CHIEF

Jeff Sander

WIMECA BOARD DIRECTOR

Wayne Gries

HOUSING AUTHORITY COMMITTEE

Mike Carpenter

LOW RENT HOUSING

Lounell Olson  
Ruth Johnson  
Jerry Laffey  
Myron Johnson  
Dorothy Sorenson

STREET TREE COMMITTEE

Larry Duval  
Ano Wilkins  
Reta Benson  
Brett Ewing

LAW ENFORCEMENT AGENCY

Brett Ewing  
Dawn Cass, Alternate

AIRPORT ADVISORY COMMITTEE

Tim Peters  
Baynard Willey  
Jeff Sander  
Ed Weiner  
Dick Schlitter  
Neil Leapley

SIMPCO

Wayne Gries

PERSONNEL COMMITTEE

Brett Ewing  
Gary Addy  
Vince Phillips  
Tim Coyle  
Jim Hunt

CITY OF ONAWA, IOWA  
COUNCIL STANDING COMMITTEES

JUNE 30, 2005

FINANCE

Lonnie Campbell  
Dawn Cass  
Tim Coyle

GOVERNMENT AFFAIRS

Lonnie Campbell  
Brett Ewing

CITIZEN RELATIONS

Tim Coyle  
Neil Leapley  
Dick Schlitter

COMMUNITY PROTECTION/SERVICES

Neil Leapley  
Dawn Cass  
Lonnie Campbell

UTILITIES/INFRASTRUCTURE

Brett Ewing  
Neil Leapley  
Lonnie Campbell

CITY OF ONAWA, IOWA

CITY PERSONNEL

JUNE 30, 2005

ADMINISTRATION

Jim Hunt  
Chris Hogan  
Terry Christensen  
Elaine Miller

City Administrator  
City Clerk  
Deputy Clerk  
Administrative Assistant

POLICE DEPARTMENT

Gary Addy  
Joe Farrens  
Jon Pinkelman  
James Fouts  
Lee Kirkpatrick, Jr.  
Kyle Tank

Police Chief  
Assistant Chief  
Patrolman  
Patrolman  
Patrolman  
Patrolman

STREETS AND CEMETERY

Randy Larson  
Jerry Bellis  
Larry Warren  
Dave Fender

Superintendent Street & Sexton  
Street & Cemetery Crewman  
Street & Cemetery Crewman  
Street & Cemetery Crewman

MUNICIPAL BUILDINGS

Rod Ulven

Maintenance Shop Supervisor

UTILITIES

Jeff Sander  
Roger Gries  
Vincent Phillips  
Robert Walker  
Curtis Richardson  
Jon Towne  
Jim Kelly  
George Carrier  
Carl Lamb

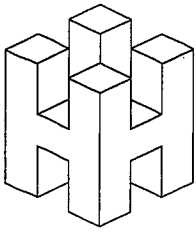
Superintendent of Utilities  
Assistant Superintendent  
Electric Foreman  
Electric Crewman  
Electric Crewman  
Waste Water Treatment  
Water Dist. Foreman  
Water Crewman  
Water Crewman

LIBRARY

Lori Beck  
Chris Zink  
Joan Roberts  
Ann Crawford  
Jessica Stanislav  
Sally Towne

Librarian  
Part-time Clerk  
Part-time Clerk  
Part-time Clerk  
Part-time Clerk  
Part-time Clerk

FINANCIAL SECTION



HENJES, CONNER &  
WILLIAMS, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

800 FRANCES BUILDING  
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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Onawa, Iowa

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the CITY OF ONAWA, IOWA, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Onawa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Onawa at June 30, 2005, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.



In accordance with Government Auditing Standards, we have also issued our report dated September 21, 2005, on our consideration of the City of Onawa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 13 through 20 and 52 through 56 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Onawa's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2003, (neither of which are presented herein) were previously audited by other auditors, who expressed unqualified opinions on those financial statements. The introductory section, supplemental information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Henjes, Connor & Williams, P.C.*  
Certified Public Accountants

Sioux City, Iowa  
September 21, 2005

## **Management Discussion and Analysis**

**June 30, 2005**

This discussion and analysis of the City of Onawa financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2005. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in our letter of transmittal on page 1 and the City's financial statements that follow this report.

### **Financial Highlights:**

- The assets of the City of Onawa exceeded liabilities at June 30, 2005, by \$12,956,432. Of this amount, \$5,841,606 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,158,842 during the year. Of this amount, the assets of our Governmental Activities increased \$1,040,466 and the assets of our Business Activities increased \$118,376.
- The largest factor in the increase in net assets was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2005, that excess was \$2,255,367.
- The City's long-term debt decreased due to the scheduled retirement of long-term debt. Outstanding General Obligation debt totals \$1,985,000 and other outstanding long-term debt totals \$10,715.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

## **REPORTING THE CITY AS A WHOLE**

### **The Statement of Net Assets and the Statement of Activities**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is *"Is the City of Onawa in a better financial position at the end of this fiscal year, compared to last year?"* The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as

changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electrical, Water and Sewer.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## **THE CITY AS A WHOLE**

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2005, net assets changed as follows:

	Governmental	Business-	6-30-05	6-30-04
	Activities	Type		
	Activities	Activities	Total	Total
Beginning Net Assets	\$ 4,308,205	\$ 7,489,385	\$ 11,797,590	\$ 10,431,225
Increase in Net Assets	<u>1,040,466</u>	<u>118,376</u>	<u>1,158,842</u>	<u>1,366,365</u>
Ending Net Assets	<u>\$ 5,348,671</u>	<u>\$ 7,607,761</u>	<u>\$ 12,956,432</u>	<u>\$ 11,797,590</u>

This summary reflects an increase of 24% for the Governmental Activities and an increase of 2% in the Business-Type Activities. Net assets of the Governmental Activities accounted for 90% of the growth in net assets.

Total revenue reported in Fiscal 2005 was \$4,991,847. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities:

	General	Business-	6-30-05	6-30-04
	Governmental	Type		
	Activities	Activities	Total	Total
<b>Program Revenues:</b>				
Charges for Services	\$84,338	\$2,418,462	\$2,502,800	\$2,515,840
Operating Grants and Contributions	36,352	-	36,352	363,320
Capital Grants and Contributions	<u>240,342</u>	<u>-</u>	<u>240,342</u>	<u>60,000</u>
<b>Total Program Revenues</b>	361,032	2,418,462	2,779,494	2,939,160
<b>General Revenues &amp; Interfund Transfers:</b>				
Property Taxes	1,119,067	-	1,119,067	1,010,564
License and Permits	28,813	-	28,813	21,470
Local Option Sales Tax	164,447	-	164,447	163,564
Fines and Forfeitures	8,066	-	8,066	13,356
Special Assessments	99,747	-	99,747	79,492
Interest	75,957	33,343	109,300	72,803
General Intergovernmental Revenues	333,136	-	333,136	304,616
Contributions	2,079	-	2,079	1,100
Sale of Merchandise	-	29,573	29,573	16,897
Payment in Lieu of Taxes	87,654	-	87,654	84,552
Assets acquired through annexation	-	12,000	12,000	-
Miscellaneous	31,136	187,335	\$ 218,471	\$ 287,860
Interfund Transfers	<u>\$ 77,293</u>	<u>\$ (77,293)</u>	<u>-</u>	<u>-</u>

**Total General Revenues &**

<b>Interfund Transfers</b>	<u>\$ 2,027,395</u>	<u>\$ 184,958</u>	<u>\$ 2,212,353</u>	<u>\$ 2,056,274</u>
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<b>Total Revenues &amp; Interfund Transfers</b>	<u>\$ 2,388,427</u>	<u>\$ 2,603,420</u>	<u>\$ 4,991,847</u>	<u>\$ 4,995,434</u>
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Program revenues totaled \$2,779,494 for fiscal year 2005. Governmental Activities provided \$361,032 and Business-Type Activities provided \$2,418,462. Revenue collected for Charges for Services during fiscal year 2005 was \$2,502,800, accounting for 97% of the total program revenues. The following chart breaks down program revenues by source:

General Revenues for fiscal year 2005 totaled \$2,212,353. Governmental Activities provided \$2,027,395 and Business-Type Activities provided \$184,958. Property Tax Revenues for fiscal year 2005 totaled \$1,119,067, accounting for 51% of General Revenues.

Expenditures for Fiscal 2005 totaled \$3,833,005. Expenditures for General Governmental Activities totaled \$1,347,961, accounting for 35% of total expenditures. Business-Type Activity expenditures totaled \$2,485,044, for 65% of the total.

The following table shows total expenditures by Function/Program:

Program Level	General Governmental Activities	Business- Type Activities	2005 Total	2004 Total
Public Safety	\$ 440,457	-	\$ 440,457	\$ 396,835
Public Works	173,148	-	173,148	232,098
Culture and Recreation	334,429	-	334,429	306,477
Community and Economic Development	57,791	-	57,791	133,273
General Government	143,547	-	143,547	161,395
Debt Service	40,511	-	40,511	70,732
Depreciation	158,078	-	158,078	119,861
Electric System	-	\$1,593,206	1,593,206	1,417,066
Water System	-	361,903	361,903	281,441
Sewer System	-	520,473	520,473	500,891
Internal Service	-	9,462	9,462	9,000
<b>Total Expenditures</b>	<u>\$ 1,347,961</u>	<u>\$ 2,485,044</u>	<u>\$ 3,833,005</u>	<u>\$ 3,629,069</u>

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services

Culture and Recreation .....	Education & Culture, Leisure Time Opportunities
Community and Economic Development .....	Economic Development, Community Beautification, Planning & Zoning
General Government.....	Administration, Support Services
Debt Service.....	Payment of Interest
Electric System .....	Operation of Electrical System
Sewer System.....	Operation of the Waste Water Treatment Plant/Collection System
Water System.....	Operation of Water Treatment Plant/Supply Distribution System
Internal Service .....	Payment of Rise Insurance and Health Insurance Deductible

### Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Culture and Recreation, the City spent \$334,429 and received \$91,838 in revenue, thus leaving a cost to the taxpayer of \$242,591 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Taxes	Fines and Forfeits
Special Assessments	Contributions
Licenses and Permits	Refunds/Reimbursements
Intergovernmental Revenue	Grants
Charges for Services	

The total cost of governmental activities this year was \$1,347,961. Of these costs, \$84,338 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution was \$276,694, leaving a Net Expense of \$986,929 for Governmental Activities. These expenses of \$986,929 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	6/30/2005	6/30/2004
<b>Governmental Activities:</b>		
Public Safety	\$(411,605)	\$(396,835)
Public Works	(173,148)	(232,098)
Culture and Recreation	(242,591)	(306,477)
Community and Economic Development	( 57,791)	(133,273)
General Government	(143,547)	( 40,924)
Capital Projects	240,342	374,840
Depreciation	(158,078)	(119,861)
Debt Service	<u>\$( 40,511)</u>	<u>\$( 70,732)</u>

Total Net (Expense) Revenue		
Governmental Activities	\$( 986,929)	\$( 925,360)
General Revenues & Interfund Transfers	<u>2,027,395</u>	<u>1,788,382</u>

<b>Change in Net Assets</b>	<u>\$ 1,040,466</u>	<u>\$ 863,022</u>
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Total resources available during the year to finance governmental operations were \$6,696,632, consisting of Net Assets at July 1, 2004 of \$4,308,205, Program Revenues of \$361,032 and General Revenues of \$2,027,395. Total Governmental Activities during the year expended \$1,347,961; thus, Net Assets were increased by \$1,040,466 to \$5,348,671.

### Business Type Activities

Business Type Activities increased the City's net assets by \$118,376 accounting for 10% of the growth in the City's net assets.

The cost of all Proprietary Activities this year was \$2,485,044. As shown in the Statement of Activities, the amounts paid by users of the systems was \$2,418,462, resulting in total Net Expenses for Business Type Activities of \$66,582. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

<b>Business-Type Activities</b>	<b>2005 Net (Expense) Revenue</b>	<b>2004 Net (Expense) Revenue</b>
Electric System	\$ 60,878	\$ 229,645
Water System	(75,534)	23,031
Sewer System	(56,964)	(22,725)
Internal Service	<u>5,038</u>	<u>5,500</u>
Total Net (Expense) Revenue		
Business-Type Activities	(66,582)	235,451
General Revenues	<u>184,958</u>	<u>267,892</u>
<b>Change in Net Assets</b>	<u>\$ 118,376</u>	<u>\$ 503,343</u>

Total resources available during the year to finance Proprietary Fund activities were \$10,092,805, consisting of Net Assets at July 1, 2004 of \$7,489,385, Program Revenues of \$2,418,462 and General Revenues of \$184,958. Total Proprietary Fund Activities during the year expended \$2,485,044; thus Net Assets were increased by \$118,376 to \$7,607,761.

### FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal

year. The City's Governmental Funds reported combined ending fund balances of \$1,440,226. The combined Governmental Funds balance decreased \$1,384,830 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenue exceeded expenditures in the General Fund by \$20,893.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2005 original (adopted) General Fund amount was \$1,045,742 with one amendment amending to \$1,085,742.

The following table shows the General Fund budget variances by program structure:

Expenditures	Budget Original	Budget Amended	Actual	Variance
Public Safety	\$ 448,232	\$ 468,232	\$ 495,741	\$ (27,509)
Public Works	30,475	30,475	30,458	17
Culture and Recreation	405,410	405,410	360,966	44,444
Community and Economic Development	17,500	17,500	1,890	15,610
General Government	<u>144,125</u>	<u>164,125</u>	<u>138,071</u>	<u>26,054</u>
Total Expenditures	<u>\$ 1,045,742</u>	<u>\$ 1,085,742</u>	<u>\$ 1,027,126</u>	<u>\$ 58,616</u>

## CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements and equipment represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2005, was \$7,000,481 (net of accumulated depreciation and outstanding financings).

The gross additions to capital assets for Fiscal 2005 are as follows:

	Governmental Activities	Business- Type Activities	6-30-05 Total	6-30-04 Total
Infrastructure	\$ 20,901	-	\$ 20,901	\$ 56,433
Buildings	-	-	-	101,235
Improvements – Other than Buildings	296,072	\$ 274,117	570,189	18,823
Equipment	76,093	126,105	202,198	127,552
Construction in Progress	<u>2,020,379</u>	<u>-</u>	<u>2,020,379</u>	<u>960,317</u>
Total Gross Additions	<u>\$ 2,413,445</u>	<u>\$ 400,222</u>	<u>\$ 2,813,667</u>	<u>\$ 1,264,360</u>



Construction in Progress for governmental activities consisted of costs associated with the Library Expansion Project and the capital projects in the Public Works Program.

See Note 6 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end the City had \$1,995,715 of debt outstanding. This is a decrease of \$155,714 from the prior year due to the retirement of General Obligation Bonds of \$145,000 and retirement of other debt of \$10,714.

Debt administration is on track, with over 75% of all City debt repaid within the next 10 years. This rapid repayment, when used with TIF, has allowed the City to maintain our good rating. This reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$ 4,665,804. With outstanding General Obligation Debt applicable to this limit of \$1,995,715, we are utilizing 43% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

## **ECONOMIC FACTORS**

The City of Onawa continues to work hard to maintain a positive approach to growth and development. Continued improvement in downtown façade and the addition to the library continues to make a positive effect on the City's image.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-433-1181.

**CITY OF ONAWA, IOWA**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 345,415	\$ 467,923	\$ 813,338
Investments	834,813	1,958,000	2,792,813
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	229,120	229,120
Taxes	24,115	-	24,115
Subsequent Year Taxes	1,043,328	-	1,043,328
Accrued Interest	12,193	4,990	17,183
Other	9,472	4,250	13,722
Special Assessments	20,403	-	20,403
Subsequent Year Special Assessments	130,100	-	130,100
Due from Other Governments - Note 4	33,273	1,446	34,719
Inventories	-	271,101	271,101
Prepaid Assets	53,349	25,290	78,639
Investment in WIMECA - Note 13	-	1,427,493	1,427,493
Restricted Assets:			
Cash and Cash Equivalents	-	38,921	38,921
Temporary Cash Investments Designated for Equipment	481,875	143,350	625,225
Bond Issue Cost - Net of Amortization	13,396	-	13,396
Bond Discount - Net of Amortization	10,122	-	10,122
Land - Note 6	437,239	9,050	446,289
Construction in Progress - Note 6	9,949	-	9,949
Infrastructure, Property and Equipment, Net of Accumulated Depreciation - Note 6	5,257,302	3,282,656	8,539,958
<b>Total Assets</b>	<b>8,716,344</b>	<b>7,863,590</b>	<b>16,579,934</b>
<b>LIABILITIES</b>			
Accounts Payable	248,816	140,554	389,370
Accrued Wages and Compensated Absences	46,217	51,235	97,452
Accrued Expenses	33,597	25,119	58,716
Deferred Revenue - Subsequent Year Taxes	1,043,328	-	1,043,328
Payables from Restricted Assets:			
Customer Deposits	-	38,921	38,921
Noncurrent Liabilities:			
Due within one year:			
General Obligation Bonds - Note 7	150,000	-	150,000
Notes Payable - Note 7	10,715	-	10,715
Due in more than one year:			
General Obligation Bonds - Note 7	1,835,000	-	1,835,000
<b>Total Liabilities</b>	<b>3,367,673</b>	<b>255,829</b>	<b>3,623,502</b>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	3,708,775	3,291,706	7,000,481
Restricted for:			
Endowments:			
Nonexpendable	114,345	-	114,345
Unrestricted			
Designated for Equipment	481,875	-	481,875
Unreserved - Undesignated	1,043,676	4,316,055	5,359,731
<b>Total Net Assets</b>	<b>\$ 5,348,671</b>	<b>\$ 7,607,761</b>	<b>\$ 12,956,432</b>

See Accompanying Notes to Financial Statements

**CITY OF ONAWA, IOWA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 440,457	\$ -	\$ 28,852	\$ -
Public Works	173,148	-	-	-
Culture and Recreation	334,429	84,338	7,500	-
Community and Economic Development	57,791	-	-	-
General Government	143,547	-	-	-
Capital Projects	-	-	-	240,342
Depreciation expense	158,078	-	-	-
Debt Service	40,511	-	-	-
Total governmental activities	1,347,961	84,338	36,352	240,342
Business-Type Activities:				
Electric System	1,593,206	1,654,084		
Water System	361,903	286,369		
Sewer System	520,473	463,509		
Internal Service	9,462	14,500		
Total Business-Type Activities:	2,485,044	2,418,462	-	-
Total Primary Government	\$ 3,833,005	\$ 2,502,800	\$ 36,352	\$ 240,342

General Revenues:  
Property taxes  
Licenses and Permits  
Local Option Sales Tax  
Fines and Forfeits  
Special Assessments  
Interest  
General Intergovernmental Revenues  
Contributions  
Sale of Merchandise  
Payment in Lieu of Taxes  
Miscellaneous  
Assets Acquired Through Annexation  
Interfund Transfers  
Total general revenues and transfers  
Change in net assets  
Net assets - beginning  
Net assets - ending

See Accompanying Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (411,605)		\$ (411,605)
(173,148)		(173,148)
(242,591)		(242,591)
(57,791)		(57,791)
(143,547)		(143,547)
240,342		240,342
(158,078)		(158,078)
(40,511)		(40,511)
<u>(986,929)</u>		<u>(986,929)</u>
	\$ 60,878	60,878
	(75,534)	(75,534)
	(56,964)	(56,964)
	5,038	5,038
	<u>(66,582)</u>	<u>(66,582)</u>
<u>(986,929)</u>	<u>(66,582)</u>	<u>(1,053,511)</u>
1,119,067	-	1,119,067
28,813	-	28,813
164,447	-	164,447
8,066	-	8,066
99,747	-	99,747
75,957	33,343	109,300
333,136	-	333,136
2,079	-	2,079
-	29,573	29,573
87,654	-	87,654
31,136	187,335	218,471
-	12,000	12,000
77,293	(77,293)	-
<u>2,027,395</u>	<u>184,958</u>	<u>2,212,353</u>
1,040,466	118,376	1,158,842
4,308,205	7,489,385	11,797,590
<u>\$ 5,348,671</u>	<u>\$ 7,607,761</u>	<u>\$ 12,956,432</u>

**CITY OF ONAWA, IOWA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2005**

	General	TIF	Road Use Tax
<b>Assets</b>			
Cash and Pooled Investments	\$ 285,414	-	\$ 11,576
Investments	711,023	-	47,590
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	11,917	\$ 7,286	-
Subsequent Year Taxes	493,315	334,538	-
Accrued Interest	8,988	-	-
Other	9,472	-	-
Special Assessments	10,360	-	-
Subsequent Year Special Assessments	56,482	-	-
Due from Other Funds	-	-	632,439
Due from Other Governmental Agencies	-	-	20,114
Temporary Cash Investments Designated for Equipment	481,875	-	-
Total Assets	<u>2,068,846</u>	<u>341,824</u>	<u>711,719</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities:</b>			
Accounts Payable	28,146	857	2,994
Accrued Wages and Compensated Absences	29,168	-	17,049
Accrued Expenses	26,300	-	-
Due to Other Funds	27,330	602,857	-
Deferred Revenue - Subsequent Year Taxes	493,315	334,538	-
Deferred Revenue - Subsequent Year Assessments	56,482	-	-
Total Liabilities	<u>660,741</u>	<u>938,252</u>	<u>20,043</u>
<b>Fund Balances:</b>			
Reserved for:			
Endowment	-	-	-
Unreserved (Deficit)	1,408,105	(596,428)	691,676
Total Fund Balances (Deficits)	<u>1,408,105</u>	<u>(596,428)</u>	<u>691,676</u>
Total Liabilities and Equity	<u>\$ 2,068,846</u>	<u>\$ 341,824</u>	<u>\$ 711,719</u>

See Accompanying Notes to Financial Statements

Local Option Sales Tax	Debt Service	Library Expansion	2004 Street Capital Project	Other Governmental Funds	Total Governmental Funds
\$ 11,960	-	-	-	\$ 36,465	\$ 345,415
-	-	-	-	76,200	834,813
-	\$ 3,283	-	-	1,629	24,115
-	137,475	-	-	78,000	1,043,328
-	-	-	\$ 393	2,812	12,193
-	-	-	-	-	9,472
-	-	-	5,696	4,347	20,403
-	-	-	51,263	22,355	130,100
405,000	-	-	-	-	1,037,439
13,159	-	-	-	-	33,273
-	-	-	-	-	481,875
430,119	140,758	-	57,352	221,808	3,972,426
-	-	\$ 208,737	-	8,082	248,816
-	-	-	-	-	46,217
-	-	-	-	-	26,300
-	11,631	136,503	161,404	97,714	1,037,439
-	137,475	-	-	78,000	1,043,328
-	-	-	51,263	22,355	130,100
-	149,106	345,240	212,667	206,151	2,532,200
-	-	-	-	114,345	114,345
430,119	(8,348)	(345,240)	(155,315)	(98,688)	1,325,881
430,119	(8,348)	\$ (345,240)	(155,315)	15,657	1,440,226
\$ 430,119	\$ 140,758	-	\$ 57,352	\$ 221,808	\$ 3,972,426

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

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Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 28)	\$	1,440,226
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		5,704,490
Deferred assessments that provide current financial resources for governmental activities		130,100
Accrued expenses from the balance sheet that require current financial resources for governmental activities		(7,297)
Bond issue costs and Bond Discounts are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		23,518
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources		53,349
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds		<u>(1,995,715)</u>
Total Net Assets - Governmental Activities (page 21)	\$	<u><u>5,348,671</u></u>

See Accompanying Notes to Financial Statements



**CITY OF ONAWA, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	General	TIF	Road Use Tax
Revenue:			
Taxes	\$ 429,030	\$ 496,472	-
Special Assessments	25,265	-	-
Licenses and Permits	28,813	-	-
Intergovernmental Revenue	76,132	-	\$ 257,004
Charges for Services	84,338	-	-
Fines and Forfeits	8,066	-	-
Contributions	36,352	-	-
Interest	59,814	-	-
Payment in Lieu of Taxes	87,654	-	-
Miscellaneous	31,136	-	-
Total Revenue	866,600	496,472	257,004
Expenditures:			
Public Safety	495,741	-	-
Public Works	30,458	-	164,779
Culture and Recreation	360,966	-	-
Community and Economic Development	1,890	351,972	-
General Government	138,071	-	-
Capital Projects	-	-	-
Debt Service			
Principal Retirements			-
Interest			-
Total Expenditures	1,027,126	351,972	164,779
Excess (deficiency) of revenues over expenditures	(160,526)	144,500	92,225
Other financing sources (uses):			
Transfers In	181,419	-	-
Transfers Out	-	(141,419)	-
Total other financing sources (uses)	181,419	(141,419)	-
Net Change in Fund Balance	20,893	3,081	92,225
Fund Balances (Deficit) beginning of year	1,387,212	(599,509)	599,451
Fund Balances (Deficit) End of Year	\$ 1,408,105	\$ (596,428)	\$ 691,676

See Accompanying Notes to Financial Statements

Local Option Sales Tax	Debt Service	Library Expansion	2004 Street Capital Project	Other Governmental Funds	Total Governmental Funds
- \$	140,316	-	- \$	58,619 \$	1,124,437 \$
-	-	-	48,076	8,944	82,285
-	-	-	-	-	28,813
\$ 164,447	-	-	-	-	497,583
-	-	-	-	-	84,338
-	-	-	-	-	8,066
-	- \$	240,342	-	2,079	278,773
-	-	10,975	393	4,775	75,957
-	-	-	-	-	87,654
-	-	-	-	-	31,136
164,447	140,316	251,317	48,469	74,417	2,299,042
-	-	-	-	-	495,741
-	-	-	-	-	195,237
-	-	-	-	2,109	363,075
5,615	-	-	-	-	359,477
-	-	-	-	2,787	140,858
-	-	1,770,543	195,398	9,949	1,975,890
-	145,000	-	-	-	145,000
-	85,887	-	-	-	85,887
5,615	230,887	1,770,543	195,398	14,845	3,761,165
158,832	(90,571)	(1,519,226)	(146,929)	59,572	(1,462,123)
-	123,065	241,505	-	-	545,989
(120,000)	-	(24,353)	-	(182,924)	(468,696)
(120,000)	123,065	217,152	-	(182,924)	77,293
38,832	32,494	(1,302,074)	(146,929)	(123,352)	(1,384,830)
391,287	(40,842)	956,834	(8,386)	139,009	2,825,056
\$ 430,119	\$ (8,348)	\$ (345,240)	\$ (155,315)	\$ 15,657	\$ 1,440,226

CITY OF ONAWA, IOWA

CITY OF ONAWA, IOWA  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2005

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 28)		\$	(1,384,830)
Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays were exceeded by depreciation expense in the current year as follows:			
Expenditures for capital assets	\$	2,413,445	
Depreciation expense		<u>(158,078)</u>	2,255,367
Revenues reported in the funds that are not available to provide current financial resources			12,092
Prepaid expenses are not reported in the governmental funds as it is not available to provide current financial resources			2,926
Accrued interest expense that does not require current financial resources			887
The effect of bond issuance costs and bond discounts when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities			(1,690)
The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:			<u>155,714</u>
Change in net assets of governmental activities (page 23)		\$	<u>1,040,466</u>

See Accompanying Notes to Financial Statements

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 251,546	\$ 71,014
Investments	1,552,418	202,791
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	157,547	27,371
Accrued Interest	3,428	982
Other	4,250	-
Due from Other Governmental Agencies	482	482
Inventories	233,027	36,899
Prepaid Assets	14,817	6,575
Investment in WIMECA	1,427,493	-
Restricted Assets:		
Cash and Cash Equivalents	38,921	-
Temporary Cash Investments Designated for Equipment	216	122,930
Land	-	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,871,551	351,763
<b>Total Assets</b>	<b>5,555,696</b>	<b>820,807</b>
<b>LIABILITIES</b>		
Accounts Payable	115,491	3,763
Accrued Wages and Compensated Absences	21,549	13,932
Accrued Expenses	14,789	5,302
Payables from Restricted Assets:		
Customer Deposits	38,921	-
<b>Total Liabilities</b>	<b>190,750</b>	<b>22,997</b>
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	1,871,551	351,763
Unrestricted	3,493,395	446,047
<b>Total Net Assets</b>	<b>\$ 5,364,946</b>	<b>\$ 797,810</b>

See Accompanying Notes to Financial Statements

Business Type Activities			Business Type Activities	
Sewer System		Total	Internal Service	
\$ 53,397	\$	375,957	\$ 91,966	
202,791		1,958,000	-	
44,202		229,120	-	
580		4,990	-	
-		4,250	-	
482		1,446	-	
1,175		271,101	-	
3,898		25,290	-	
-		1,427,493	-	
-		38,921	-	
20,204		143,350	-	
9,050		9,050	-	
1,059,342		3,282,656	-	
1,395,121		7,771,624	91,966	
21,300		140,554	-	
15,754		51,235	-	
5,028		25,119	-	
-		38,921	-	
42,082		255,829	-	
1,068,392		3,291,706	-	
284,647		4,224,089	91,966	
\$ 1,353,039	\$	7,515,795	\$ 91,966	

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
<b>Operating Revenues:</b>		
Charges for Services	\$ 1,654,084	\$ 286,369
<b>Total Operating Revenue</b>	<u>1,654,084</u>	<u>286,369</u>
<b>Operating Expenses:</b>		
Production	1,047,785	91,874
Distribution	298,502	149,688
Customer Accounts/Administration	140,929	67,230
Solid Waste	-	-
Depreciation	105,990	53,111
Deductibles	-	-
<b>Total Operating Expenses</b>	<u>1,593,206</u>	<u>361,903</u>
<b>Operating Income (Loss)</b>	60,878	(75,534)
<b>Non-Operating Income (Expense):</b>		
Interest Income	25,579	4,650
Sale of Merchandise	12,752	15,927
Equity in Net Income of WIMECA	151,363	-
WIMECA Member Charge Refund	32,997	-
Assets Acquired Through Annexation	-	-
Other Non-operating Revenues	1,352	1,623
<b>Total Non-Operating Income (Expenses)</b>	<u>224,043</u>	<u>22,200</u>
<b>Income before Transfers</b>	284,921	(53,334)
<b>Transfers In</b>	-	7,508
<b>Transfers Out</b>	<u>(120,000)</u>	<u>-</u>
<b>Change in Net Assets</b>	164,921	(45,826)
<b>Net Assets - Beginning</b>	<u>5,200,025</u>	<u>843,636</u>
<b>Net Assets - Ending</b>	<u>\$ 5,364,946</u>	<u>\$ 797,810</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Business Type Activities
Sewer System	Total	Internal Service
\$ 463,509	\$ 2,403,962	\$ 14,500
463,509	2,403,962	14,500
66,107	1,205,766	-
112,778	560,968	-
57,653	265,812	-
227,443	227,443	-
56,492	215,593	-
-	-	9,462
520,473	2,475,582	9,462
(56,964)	(71,620)	5,038
3,114	33,343	-
894	29,573	-
-	151,363	-
-	32,997	-
12,000	12,000	-
-	2,975	-
16,008	262,251	-
(40,956)	190,631	5,038
35,199	42,707	-
-	(120,000)	-
(5,757)	113,338	5,038
1,358,796	7,402,457	86,928
\$ 1,353,039	\$ 7,515,795	\$ 91,966



**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers	\$ 1,642,559	\$ 287,572
Cash Paid to Suppliers for Goods and Services	(1,148,907)	(105,607)
Cash Paid to Employees for Services	(267,834)	(183,972)
Other Nonoperating Income	46,619	17,068
Cash Paid for Customer Deposits	(1,143)	
Net Cash Provided by Operating Activities	<u>271,294</u>	<u>15,061</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Operating Transfers from (to) Other Funds	(120,000)	7,508
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition and Construction of Capital Assets	(93,813)	(63,483)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Temporary Cash Investments	(1,150,000)	(100,000)
Purchase of Temporary Cash Investments-Equipment	(20,000)	
Proceeds from Sale of Temporary Cash Investments	171,143	
Proceeds from Sale of Temporary Cash Investments -Equipment	49,500	27,314
Proceeds from Patranage Dividend from WIMECA	644,982	-
Interest Received	<u>2,167</u>	<u>-</u>
Net Cash Provided (Used) for Investing Activities	(302,208)	(72,686)
Net Increase (Decrease) in Cash and Cash Equivalents	(244,727)	(113,600)
Cash and Cash Equivalents at Beginning of Year	<u>496,273</u>	<u>184,614</u>
Cash and Cash Equivalents at End of Year	<u>\$ 251,546</u>	<u>\$ 71,014</u>

See Accompanying Notes to Financial Statements

Business Type Activities		Business Type Activities
Sewer System	Total	Internal Service
\$ 464,173	\$ 2,394,304	\$ 14,500
(288,605)	(1,543,119)	(12,121)
(172,939)	(624,745)	-
412	64,099	-
	(1,143)	
<u>3,041</u>	<u>289,396</u>	<u>2,379</u>
35,199	(77,293)	
(6,013)	(163,309)	-
(100,000)	(1,350,000)	-
	(20,000)	
	171,143	
-	76,814	
-	644,982	-
-	2,167	-
(100,000)	(474,894)	-
(67,773)	(426,100)	2,379
<u>121,170</u>	<u>802,057</u>	<u>89,587</u>
<u>\$ 53,397</u>	<u>\$ 375,957</u>	<u>\$ 91,966</u>

(Continued)

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Business Type Activities</b>	
	<b>Electric System</b>	<b>Water System</b>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ 60,878	\$ (75,534)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Depreciation	105,990	53,111
Other Non-Operating Income	47,101	17,550
(Increase) Decrease in Assets:		
Accounts Receivable	(11,525)	1,203
Prepaid Expenses	(2,908)	2,656
Due From Other Governments	(482)	(482)
Inventories	50,944	18,502
Increase (Decrease) in Liabilities		
Accounts Payable	22,054	(483)
Accrued Wages and Compensated Absences	586	(2,745)
Accrued Expenses	(201)	1,283
Customer Deposits	(1,143)	-
Total Adjustments	210,416	90,595
Net Cash Provided by Operating Activities	271,294	15,061
 <b>Non Cash Investing and Financing Activities</b>		
Reinvestment of Interest Income	20,776	4,260
Increase in Temporary Cash Investments	20,548	2,323
Increase in Temporary Cash Investments Designated for Equipment	228	1,937
	\$ 20,776	\$ 4,260

See Accompanying Notes to Financial Statements

Business Type Activities		Business Type Activities
Sewer System	Total	Internal Service
\$ (56,964)	\$ (71,620)	\$ 5,038
56,492	215,593	-
894	65,545	-
664	(9,658)	-
(77)	(329)	-
(482)	(1,446)	-
(362)	69,084	-
(809)	20,762	(2,659)
3,453	1,294	-
232	1,314	-
-	(1,143)	-
60,005	361,016	(2,659)
3,041	289,396	\$ 2,379
2,613	27,649	-
2,323	25,194	-
290	2,455	-
\$ 2,613	\$ 27,649	-

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Onawa, Iowa is a political subdivision of the State of Iowa located in Monona County, and was incorporated in 1859, and operates under the Home Rule Provisions of the Constitution of Iowa. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development and general government services. The City also has municipal electric, water and sewer utility systems, which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

For financial reporting purposes, the City of Onawa, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

The City of Onawa does not include any component units within its reporting unit.

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Monona County Assessors' Conference Board, Monona County Emergency Management Commission, Monona County Joint E911 Service Board, and Monona County Landfill Commission.

**B. Basic Financial Statements-Government-Wide Statements**

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities. The City's health insurance and risk insurance internal service funds are classified as business-type activities.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts-invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first uses restricted resources to finance qualifying activities.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, public works, culture and recreation, community and economic development, general government, etc.) and business-type activities. The functions are also supported by general government expenses (including depreciation) by related program revenue, operating grants, and capital grants. Program revenue must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

**C. Fund Accounting**

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

**Governmental Fund Types** – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for constructions of specific projects within the TIF District.

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for industrial development and infrastructure and for property tax relief.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

4) Capital Project Funds

The Library Expansion Fund is used to account for the construction of capital assets related to the library expansion financed through individual contributions, grants and bond proceeds.

The 2004 Street Project is used to account for the resurfacing of various streets within the City of Onawa.

**Proprietary Fund Types** – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

- 2) Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis.

The City's internal service funds are presented in the proprietary fund financial statements.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Risk Insurance – The City operates an insurance deductible fund that accounts for all deductibles on insurance claims owed by the other organizational units of the City. The financial statements of the risk insurance internal service fund are consolidated into the business type column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Health Insurance Deductibles – The City operates a health insurance deductible fund that accounts for all deductibles on employee health insurance claims owed by the other organizational units of the City. The financial statements of the health insurance deductible internal service fund are consolidated into the business type column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

**Fiduciary Fund Types** – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements.

**D. Basis of Accounting**

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

**E. Budgets**

Chapter 384, Section 16, of the State Code of Iowa requires the adoption of an annual budget on or before March 15 of each year, which becomes effective July 1 and constitutes the appropriation for each program specified therein until amended. The City budget may be amended for specified level purposes and budget amendments must be prepared and adopted in the same manner as the original budget. Appropriations, as adopted and amended, lapse at the end of the fiscal year.



CITY OF ONAWA, IOWA  
Notes to Financial Statements  
June 30, 2005

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Annual budgets are adopted on the cash basis of accounting for all governmental funds. The City's budget is prepared on the cash basis of accounting. The legal level of control (the level on which expenditures may not legally exceed appropriations) is the program level for all funds combined rather than at the individual fund level. This level of control is at a level higher than the individual fund. It is necessary, therefore, to aggregate the expenditures of governmental fund types with expenses of proprietary fund types on a program level basis and to compare such program totals to program budgeted totals in order to demonstrate legal compliance with budget. Legal budget compliance for cities in the State of Iowa is applied only to expenditures.

The Budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2005, disbursements exceeded the amounts budgeted in the Public Safety Function.

**F. Cash And Cash Equivalents And Investments**

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

**1) Cash and Cash Equivalents**

Includes investments with original maturities of three months or less.

**2) Investments**

The City and uses the following methods in determining the reported amounts.

<u>Type</u>	<u>Method</u>
Nonnegotiable Certificates of Deposit	Cost

**G. Property Tax Receivable**

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2003 assessed property valuations; is for the tax accrual period July 1, 2004 through June 30, 2005 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2003. Any county collections on the 2004-2005 tax levy remitted to the City within 60 days subsequent to June 30, 2005, are recorded as property tax revenue.

**H. Short-Term Interfund Receivables/Payables**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2005, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

**I. Inventories**

Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.

**J. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond June 30, 2005 are recorded as prepaid items.

**K. Property and Equipment**

Assets with an initial individual cost of \$1,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Historical infrastructure has not been recorded on these financial statements other than buildings and improvements. GASB 34 does not require the City of Onawa to record the historical infrastructure costs. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 – 20 Years
Infrastructure	15 – 70 Years

**L. Compensated Absences**

Vested or accumulated vacation leave including related employee benefits that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**M. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**N. Fund Equity**

Reserves represent those portions of fund equity legally segregated for a specific future use.

**O. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

**P. Landfill Closure Costs**

The City is part of an Iowa Code Section 28F agreement with the Monona County Landfill Commission and, therefore, not required to account for landfill post closure costs.

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The City's deposits at June 30, 2005, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligation of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; and certain joint investment trusts.

Deposits at June 30, 2005, are shown below:

	<b><u>Primary</u></b> <b><u>Government</u></b>	<b><u>Bank</u></b> <b><u>Balance</u></b>
Demand Deposits	\$ 903,946	\$ 911,805
Savings Deposits	1,734,209	1,734,209
Time Deposits	<u>1,632,087</u>	<u>1,632,087</u>
	<u>\$ 4,270,242</u>	<u>\$4,278,101</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)**

The primary government's investments are categorized to give an indication of the level of risk assumed by the City at year-end. At June 30, 2005, the City's investments and component unit's investments are in a category characterized as investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. The City did not hold any investments at June 30, 2005.

There were no significant changes in investments held during the fiscal year ended June 30, 2005.

**Note 3 - RECEIVABLES**

Receivables at June 30, 2005 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$12,059 at June 30, 2005.

**Note 4 - DUE FROM OTHER GOVERNMENTS**

At June 30, 2005, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 20,114
Due from the State of Iowa for local option sales taxes	13,159
Due from the State of Iowa for miscellaneous refunds	1,446
Total Due from Other Governments	<u>\$ 34,719</u>

**Note 5 - INTERFUND RECEIVABLES AND PAYABLES**

As of June 30, 2005, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Special Revenue – Road Use Tax	TIF Fund	\$ 602,857
Special Revenue – Road Use Tax	Debt Service Fund	11,631
Special Revenue – Local Option Sales Tax	2004 Street Capital Proceeds	161,404
Special Revenue – Local Option Sales Tax	Library Expansion	136,503
Special Revenue – Local Option Sales Tax	Nonmajor Governmental Funds	79,763
Special Revenue – Road Use Tax	Nonmajor Governmental Funds	17,951
Special Revenue – Local Option Sales Tax	General Fund	27,330
		<u>\$ 1,037,439</u>

**Note 6 - CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	<u>Balance</u> <u>July 1,</u> <u>2004</u>	<u>Additions</u>	<u>Assets</u> <u>Annexed</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2005</u>
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 437,239				\$ 437,239
Construction in Progress	930,468	\$ 2,020,379		\$ 2,940,898	9,949
Total capital assets not being depreciated	<u>1,367,707</u>	<u>2,020,379</u>			<u>447,188</u>
Capital assets being depreciated:					
Buildings	1,489,327	2,728,328			4,217,655
Improvements	\$ 135,337	\$ 304,857			\$ 440,194

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

	Balance July 1, 2004	Additions	Assets Annexed	Deletions	Balance June 30, 2005
Equipment	\$ 1,463,348	\$ 76,093			\$ 1,539,441
Infrastructure	65,405	224,686			290,091
Total capital assets being depreciated	<u>3,153,417</u>	<u>3,333,964</u>			<u>6,487,381</u>
Less: Accumulated Depreciation for:					
Buildings	275,501	50,032			325,533
Improvements	88,912	9,642			98,554
Equipment	766,389	90,369			796,758
Infrastructure	1,199	8,035			9,234
Total Accumulated Depreciation	<u>1,072,001</u>	<u>158,078</u>			<u>1,230,079</u>
Total capital assets being depreciated, net	<u>2,081,416</u>	<u>3,175,886</u>			<u>5,257,302</u>
Governmental activities capital assets, net	<u>3,449,123</u>	<u>5,196,265</u>		<u>\$ 2,940,898</u>	<u>5,704,490</u>
<b>Business-Type Activities:</b>					
Capital assets not being depreciated:					
Land	9,050				9,050
Construction in Progress	36,913		-	36,913	-
Total capital assets not being depreciated	<u>45,963</u>		-	<u>36,913</u>	<u>9,050</u>
Capital assets being depreciated:					
Equipment	1,053,189	126,105			1,179,294
Buildings, Utility Plant, Lines, Etc.	5,845,404	74,117	\$ 200,000	139,430	5,980,091
Total capital assets being depreciated	<u>6,898,593</u>	<u>200,222</u>	<u>200,000</u>	<u>139,430</u>	<u>7,159,385</u>
Less: Accumulated Depreciation	<u>3,612,566</u>	<u>215,593</u>	<u>188,000</u>	<u>\$ 139,430</u>	<u>3,876,729</u>
Total capital assets being depreciated, net	<u>\$ 3,286,027</u>	<u>\$ ( 15,371)</u>	<u>\$ 12,000</u>	<u>-</u>	<u>\$ 3,282,656</u>

Construction in progress at June 30, 2005 consisted of costs associated with the 2005 Street Capital Project.

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental Activities:</b>	
Public Safety	\$ 41,216
Public Works	19,266
Culture and Recreation	86,521
Community and Economic Development	3,040
General Government	<u>8,035</u>
Total depreciation expense – governmental activities	<u>158,078</u>
<b>Business-Type Activities:</b>	
Electric	105,990
Water	53,111
Sewer	<u>56,492</u>
Total depreciation expense – business-type activities	<u>\$ 215,593</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 6 - CAPITAL ASSETS – (Continued)**

**Reconciliation of Investment in Capital Assets:**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Land	\$ 437,239	\$ 9,050
Construction in Progress	9,949	
Capital Assets (net of accumulated depreciation)	5,257,302	3,282,656
Less: General Obligation Bonds Payable	(1,985,000)	
Notes Payable	( 10,715)	
Investment in Capital Assets, Net of Related Debt	<u>\$ 3,708,775</u>	<u>\$ 3,291,706</u>

**Note 7 - LONG-TERM DEBT**

**Warrants Payable**

The City has outstanding warrants payable. The warrants were issued in 1998 in the amount of \$75,000 payable in annual installments of \$10,715 through 2006. The interest rate on the warrant is 5%. The total balance outstanding on the warrants at June 30, 2005 was \$10,715.

Annual debt service requirements to maturity is as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities Principal</u>	<u>Interest</u>
2006	\$ 10,715	\$ 536

**General Obligation Bonds**

The City issues general obligation bonds to provide funds for the construction of the library expansion project. General obligation bonds have been issued for the governmental activities. These bonds are direct obligations and pledge the full faith and credit of the City.

The City also had outstanding general obligation bonds at June 30, 2005 as follows:

\$565,000 1997 Corporate Purpose Loan Notes due in annual installments of \$65,000 to \$95,000 through 2012.

\$1,420,000 2003 General Obligation Bonds due in annual installments of \$80,000 to \$130,000 through 2019.

General obligation bonds outstanding as of June 30, 2005 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amounts</u>
Governmental Activities – Library	1.5-4.40%	\$ 1,420,000
Governmental Activities – TIF	5.05-5.55%	565,000
		<u>\$ 1,985,000</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

**Note 7 - LONG-TERM DEBT – (Continued)**

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities Principal	Interest
2006	\$ 150,000	\$ 81,405
2007	150,000	76,280
2008	160,000	70,725
2009	170,000	64,455
2010	175,000	57,480
2011-2015	690,000	179,445
2016-2019	490,000	53,800
Total	<u>\$ 1,985,000</u>	<u>\$ 583,590</u>

**Changes in Long-Term Liabilities**

Long-Term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<b>Governmental</b>					
<b>Activities:</b>					
Bonds Payable:					
General Obligation	\$ 2,130,000		\$ 145,000	\$ 1,985,000	\$ 150,000
Notes Payable	21,429		10,714	10,715	10,715
Total	<u>\$ 2,151,429</u>		<u>\$ 155,714</u>	<u>\$ 1,995,715</u>	<u>\$ 160,715</u>

**Note 8 - TRANSFERS**

The following is a summary of transfers between funds:

	Governmental Fund Types					Business Type Activities
	General	Debt Service	Library Expansion Fund	Water Fund	Sewer Fund	
Business Type Activities			\$ 120,000			\$ 120,000
TIF		\$ 98,712		\$ 7,508	35,199	98,712
Library Expansion Fund		24,353				24,353
Local Option Sales Tax	\$ 120,000					120,000
Nonmajor Governmental	61,419		121,505			182,924
Total Transfers	<u>\$181,419</u>	<u>\$ 123,065</u>	<u>\$ 241,505</u>	<u>\$ 7,508</u>	<u>\$ 35,199</u>	<u>\$ 545,989</u>
						<u>\$ 42,707</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 8 -     TRANSFERS (Continued)**

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.
4. To move receipts collected by Business Type activity Funds to Capital Project Funds in accordance with budgetary amortizations.

**Note 9 -     PENSION AND RETIREMENT**

**Iowa Public Employees Retirement System** - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute plan to members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll except for police employees, in which case, the percentages are 6.16 for employees and 9.23 for the city contribution. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93 percent and 8.90 percent, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04 percent and 9.07 percent, respectively. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2005, 2004, and 2003 were \$60,195, \$54,584, and \$53,287, respectively, equal to the required contributions for each year.

**Note 10 -     DEFICIT FUND EQUITY**

The City has seven funds with deficit equity balances at June 30, 2005. The City intends to finance these deficits from various resources including general funds, special assessments to be collected and future property tax levies.

The individual fund deficits were as follows:

Debt Service.....	\$ 8,348
Special Revenue – TIF.....	596,428
Capital Project – Community Center.....	71,521
Capital Project – 2004 Street Project.....	155,315
Capital Project – 2005 Street Project.....	9,949
Capital Project – 15 <sup>th</sup> & Marble Street.....	17,424
Capital Project – Library Expansion.....	345,240



**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 11 - RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the City carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. There are no claims reported in the financial statements as a liability and no losses in excess of insurance coverage have occurred in the last three years.

There were no significant reductions in insurance coverage over the past three years.

**Note 12 - INVESTMENT IN WIMECA**

Western Iowa Municipal Electric Cooperative Association (WIMECA) was incorporated on December 4, 1973, under the laws of Iowa. The Association operates as a cooperative for six municipalities. The primary activity of the Association is the acquisition of electric power and energy which is sold to its member municipalities.

It is the intent of the Association to operate on a nonprofit basis and, accordingly, earnings are distributed in accordance with the provisions of Chapter 499 of the Code of Iowa. In order to comply with such provisions, earnings must first be allocated to meet certain reserve and surplus requirements with remaining earnings allocated to the account of each member municipality based on the proportion of business which each municipality has done with the Association during the year. The City of Onawa's Electric Enterprise Fund's proportion of business for the year ended December 31, 2004 represents 32.4% of the total member business.

The last available information for WIMECA is from its December 31, 2004 independent audit report. These financial statements are available at the City office.

The summary financial information of WIMECA is as follows:

	December 31, 2004
Total Assets	\$ <u>4,555,470</u>
Total Liabilities	373,902
Total Equity	<u>4,181,568</u>
Total Liabilities and Equity	<u>4,555,470</u>
Total Revenue	3,315,565
Total Expense	<u>2,848,252</u>
Net Earnings	\$ <u>467,313</u>

At December 31, 2004, WIMECA had no outstanding bonds.

At June 30, 2005, the City of Onawa Electric Enterprise Fund investment in WIMECA was as follows:

	June 30, 2005
Beginning Balance	\$ 1,921,112
Add: Net Earnings	<u>151,363</u>
Balance	2,072,475
Less: Dividends Received	<u>644,982</u>
Ending Balance at June 30, 2005	\$ <u>1,427,493</u>

**CITY OF ONAWA, IOWA**  
**Notes to Financial Statements**  
**June 30, 2005**

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**Note 13 -     CONTINGENCIES & COMMITMENTS**

The City is currently involved in one legal matter that is being defended by its insurance carrier. The liability if any associated with this matter is not determinable at June 30, 2005.

On June 14, 2005, the City Council approved the City to enter into a garbage hauling contract with Ross Enterprises, Inc. for the period of July 1, 2005 through June 30, 2010 at an annual cost of approximately \$120,000 based on the number of customers.

CITY OF ONAWA, IOWA

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2005**

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenue:				
Taxes	\$ 423,140	\$ 423,140	\$ 429,030	\$ 5,890
Special Assessments	15,000	15,000	25,265	10,265
Licenses and Permits	7,050	7,050	28,813	21,763
Intergovernmental Revenue	94,170	94,170	76,132	(18,038)
Charges for Services	143,331	143,331	84,338	(58,993)
Fines and Forfeits	-	-	8,066	8,066
Contributions	-	-	36,352	36,352
Interest	32,000	32,000	59,814	27,814
Miscellaneous	39,800	39,800	118,790	78,990
Total Revenue	754,491	754,491	866,600	112,109
Expenditures:				
Public Safety	448,232	468,232	495,741	(27,509)
Public Works	30,475	30,475	30,458	17
Culture and Recreation	405,410	405,410	360,966	44,444
Community and Economic Development	17,500	17,500	1,890	15,610
General Government	144,125	164,125	138,071	26,054
Total Expenditures	1,045,742	1,085,742	1,027,126	58,616
Excess (deficiency) of revenues over expenditures	(291,251)	(331,251)	(160,526)	170,725
Other financing sources (uses):				
Interfund Transfers In	194,695	194,695	181,419	(13,276)
Interfund Transfers Out	-	-	-	-
Total other financing sources (uses)	194,695	194,695	181,419	(13,276)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (96,556)	\$ (136,556)	20,893	\$ 157,449
Fund balances-beginning of year			1,387,212	
Fund balances- end of year			\$ 1,408,105	

TIF				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Amended			
\$ 450,000	\$ 450,000	\$ 496,472	\$ 46,472	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
-	-	-	-	
450,000	450,000	496,472	46,472	
-	-	-	-	
-	-	-	-	
200,000	-	-	-	
48,500	388,500	351,972	36,528	
-	-	-	-	
248,500	388,500	351,972	36,528	
201,500	61,500	144,500	83,000	
-	-	-	-	
(98,713)	(98,713)	(141,419)	(42,706)	
(98,713)	(98,713)	(141,419)	(42,706)	
\$ 102,787	\$ (37,213)	3,081	\$ 40,294	
		(599,509)		
		\$ (596,428)		

**CITY OF ONAWA, IOWA**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET**  
**AND ACTUAL, GENERAL FUND AND MAJOR SPECIAL REVENUE FUNDS - (Continued)**  
**YEAR ENDED JUNE 30, 2005**

	Road Use Tax			Variance with Final Budget Positive (Negative)
	Budgeted Amounts Original	Amended	Actual	
Revenue:				
Intergovernmental Revenue	\$ 258,098	\$ 258,098	\$ 257,004	\$ (1,094)
Total Revenue	258,098	258,098	257,004	(1,094)
Expenditures:				
Public Works	326,525	206,525	164,779	41,746
Community and Economic Development	-	-	-	-
Total Expenditures	326,525	206,525	164,779	41,746
Excess (deficiency) of revenues over expenditures	(68,427)	51,573	92,225	40,652
Other financing sources (uses):				
Interfund Transfers Out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	\$ (68,427)	\$ 51,573	92,225	\$ 40,652
Fund Balances - Beginning of Year			599,451	
Fund Balances - End of Year			\$ 691,676	



Local Option Sales Tax				
Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
Original	Amended			
\$ 140,000	\$ 140,000	\$ 164,447	\$ 24,447	
140,000	140,000	164,447	24,447	
-	-	-	-	
10,000	10,000	5,615	4,385	
10,000	10,000	5,615	4,385	
130,000	130,000	158,832	28,832	
(115,000)	(115,000)	(120,000)	(5,000)	
(115,000)	(115,000)	(120,000)	(5,000)	
\$ 15,000	\$ 15,000	38,832	\$ 23,832	
		391,287		
		\$ 430,119		

**CITY OF ONAWA**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**  
**YEAR ENDED JUNE 30, 2005**

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In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon 9 major classes of disbursements known as functions, not by fund or fund type. These 9 functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

The following schedule demonstrates the City's legal compliance to the budget.

<b><u>Function</u></b>	<b><u>Budgeted Original</u></b>	<b><u>Amount Amended</u></b>	<b><u>Actual</u></b>	<b><u>Variance Favorable (Unfavorable)</u></b>
Public Safety	\$ 448,232	\$ 468,232	\$ 495,741	\$( 27,509)
Public Works	357,000	237,000	195,237	41,763
Culture & Recreation	605,410	405,410	363,075	42,335
Community & Economic Development	66,000	416,000	359,477	56,523
General Government	144,125	164,125	140,858	23,267
Debt Service	261,322	241,322	230,887	10,435
Capital Projects	2,189,190	2,399,190	1,975,890	423,300
Business Type/Enterprise	2,837,190	2,837,190	2,485,044	352,146
Total	<u>\$ 6,908,469</u>	<u>\$ 7,168,469</u>	<u>\$ 6,246,209</u>	<u>\$ 922,260</u>

During the year ended June 30, 2005, disbursements in the public safety function exceeded the amount budgeted.

SUPPLEMENTAL INFORMATION

CITY OF ONAWA, IOWA

**CITY OF ONAWA, IOWA  
COMBINING BALANCE SHEET  
GOVERNMENTAL NONMAJOR FUNDS  
JUNE 30, 2005**

	Special Revenue Funds		Capital Projects		
	Employee Benefits	2005 Street Project	Community Center	15th and Marble	
<b>Assets</b>					
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -	-
Investments	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)					
Taxes	1,629	-	-	-	-
Subsequent Year Taxes	78,000	-	-	-	-
Accrued Interest	-	-	-	-	1,132
Special Assessments	-	-	-	-	4,347
Subsequent Year Special Assessments	-	-	-	-	22,355
<b>Total Assets</b>	<b>79,629</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,834</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts Payable	594	7,488	-	-	-
Due to Other Funds	829	2,461	71,521	22,903	-
Deferred Revenue - Subsequent Year Taxes	78,000	-	-	-	-
Deferred Revenue - Subsequent Year Assessments	-	-	-	-	22,355
<b>Total Liabilities</b>	<b>79,423</b>	<b>9,949</b>	<b>71,521</b>	<b>45,258</b>	
<b>Fund Balances:</b>					
Reserved for:					
Endowment	-	-	-	-	-
Unreserved (Deficit)	206	(9,949)	(71,521)	(17,424)	
<b>Total Fund Balances (Deficits)</b>	<b>206</b>	<b>\$ (9,949)</b>	<b>\$ (71,521)</b>	<b>(17,424)</b>	
<b>Total Liabilities and Equity</b>	<b>\$ 79,629</b>	<b>-</b>	<b>-</b>	<b>\$ 27,834</b>	

Permanent Fund		Total Governmental Nonmajor Funds	
Cemetery Perpetual Care Fund	Library Endowment Fund		
\$ 2,080	\$ 34,385	\$ 36,465	
76,200	-	76,200	
-	-	1,629	
-	-	78,000	
1,639	41	2,812	
-	-	4,347	
-	-	22,355	
79,919	34,426	221,808	
-	-	8,082	
-	-	97,714	
-	-	78,000	
-	-	22,355	
-	-	206,151	
79,919	34,426	114,345	
-	-	(98,688)	
79,919	34,426	15,657	
\$ 79,919	\$ 34,426	\$ 221,808	

**CITY OF ONAWA, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL NONMAJOR FUNDS**  
**JUNE 30, 2005**

	Special Revenue Fund		Capital Projects	
	Employee Benefits	2005 Street Project	Community Center	15th and Marble
Revenue:				
Taxes	\$ 58,619		-	-
Special Assessments	-		-	\$ 8,944
Contributions	-	-	-	-
Interest	-	-	-	1,937
Total Revenue	58,619	-	-	10,881
Expenditures:				
Culture and Recreation	-	-	\$ 2,109	-
General Government	2,787	-	-	-
Capital Projects	-	\$ 9,949	-	-
Total Expenditures	2,787	9,949	2,109	-
Excess (deficiency) of revenues over expenditures	55,832	(9,949)	(2,109)	10,881
Other financing sources (uses):				
Transfers Out	(59,639)	-	-	-
Total other financing sources (uses)	(59,639)	-	-	-
Net Change in Fund Balance	(3,807)	(9,949)	(2,109)	10,881
Fund balances (deficits) -beginning of year	4,013	-	(69,412)	(28,305)
Fund balances (deficits) - end of year	\$ 206	\$ (9,949)	\$ (71,521)	\$ (17,424)

Permanent Fund		Total
Cemetery Perpetual Care Fund	Library Endowment Fund	Governmental Nonmajor Funds
-	-	\$ 58,619
-	-	8,944
\$ 1,775	\$ 304	2,079
1,675	1,163	4,775
3,450	1,467	74,417
-	-	2,109
-	-	2,787
-	-	9,949
-	-	14,845
3,450	1,467	59,572
(1,125)	(122,160)	(182,924)
(1,125)	(122,160)	(182,924)
2,325	(120,693)	(123,352)
77,594	155,119	139,009
\$ 79,919	\$ 34,426	\$ 15,657



**CITY OF ONAWA, IOWA  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Risk Insurance</b>	<b>Health Insurance Deductibles</b>	<b>Totals</b>
<b>ASSETS</b>			
Cash	\$ 89,453	\$ 2,513	\$ 91,966
<b>Total Assets</b>	<b>89,453</b>	<b>2,513</b>	<b>91,966</b>
<b>LIABILITIES</b>			
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET ASSETS</b>			
Unrestricted	\$ 89,453	\$ 2,513	\$ 91,966

**CITY OF ONAWA, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Risk Insurance</b>	<b>Health Insurance Deductibles</b>	<b>Totals</b>
<b>Operating revenues:</b>			
Charges for services to operating funds	\$ 8,000	\$ 6,500	\$ 14,500
<b>Operating expenses:</b>			
General Government	-	9,462	9,462
<b>Total operating expenses</b>	-	9,462	9,462
<b>Operating Income (Loss)</b>	8,000	(2,962)	5,038
<b>Net assets - beginning</b>	81,453	5,475	86,928
<b>Net assets - ending</b>	\$ 89,453	\$ 2,513	\$ 91,966

**CITY OF ONAWA, IOWA**  
**STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2005**

	<b>Risk Insurance</b>	<b>Health Insurance Deductibles</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 8,000	\$ 6,500	\$ 14,500
Cash Paid to Suppliers	(2,659)	(9,462)	(12,121)
Net Increase (Decrease) in Cash and Cash Equivalents	5,341	(2,962)	2,379
Cash and Cash Equivalents at Beginning of Year	84,112	5,475	89,587
Cash and Cash Equivalents at End of Year	\$ 89,453	\$ 2,513	\$ 91,966
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 8,000	\$ (2,962)	\$ 5,038
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:			
(Decrease) in Liabilities:			
Accounts Payable	(2,659)		(2,659)
Total Adjustments	(2,659)	-	(2,659)
Net Cash Provided (Used) by Operating Activities	\$ 5,341	\$ (2,962)	\$ 2,379

STATISTICAL SECTION

(NOT COVERED BY AUDITORS' REPORT)

## CITY OF ONAWA, IOWA

TABLE I

General Government Expenditures By Function  
General, Special Revenue, Debt Service and Capital Projects Funds  
Last Ten Fiscal Years

<u>Year</u>	<u>Community Protection</u>	<u>Human Development</u>	<u>Home and Community Environment</u>	<u>Policy and Administration</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
1995-96	\$ 262,867	\$ 185,283	\$ 775,920	\$ 109,490	\$ 101,928	\$ 554,180	\$ 1,989,668
1996-97	305,580	183,018	517,020	108,327	102,665	19,648	1,236,258
1997-98	406,194	185,730	740,153	115,199	155,818	96,465	1,699,559
1998-99	466,236	207,092	579,648	120,831	202,882	196,426	1,773,115
1999-00	353,731	230,316	300,288	158,120	195,133	12,025	1,249,613
2000-01	385,793	214,248	293,990	133,187	172,227	92,469	1,291,914
2001-02	\$ 439,022	\$ 209,693	\$ 427,963	\$ 140,767	\$ 165,595	\$ 1,706,647	\$ 3,089,687

<u>Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Culture &amp; Recreation</u>	<u>Community &amp; Economic Development</u>	<u>General Government</u>	<u>Debt Service</u>	<u>Capital Outlay</u>	<u>Total</u>
2002-03	\$ 521,334	\$ 272,125	\$ 310,817	\$ 281,796	\$ 118,987	\$ 168,878	\$ 694,118	\$ 2,368,055
2003-04	419,319	296,917	448,863	153,740	153,604	127,148	932,109	2,531,700
2004-05	\$ 495,741	\$ 195,237	\$ 363,075	\$ 359,477	\$ 140,858	\$ 230,887	\$ 1,975,890	\$ 3,761,165

Note: Expenditures by function category changed in the fiscal year 2002-03.

TABLE II

General Government Revenues By Source  
General, Special Revenue, Debt Service and Capital Projects Funds  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Inter-Governmental</u>	<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Contributions from Property Owners</u>	<u>Miscellaneous</u>	<u>Total</u>
1995-96	\$ 511,584	\$ 12,373	\$ 847,136	\$ 48,242	\$ 2,502		\$ 138,980	\$ 1,560,817
1996-97	552,414	13,134	596,297	42,035	3,634		144,673	1,352,187
1997-98	635,620	48,603	537,078	44,648	3,829		202,330	1,472,108
1998-99	656,421	29,986	583,463	48,253	4,381		183,365	1,505,869
1999-00	713,653	27,466	485,109	48,928	6,712		219,569	1,501,437
2000-01	819,998	21,735	485,917	60,735	7,821	\$ 4,708	1,055,282	2,456,196
2001-02	928,628	35,068	846,263	56,540	15,420	22,959	251,380	2,156,258
2002-03	915,903	24,665	725,562	66,004	19,521	17,092	315,724	2,084,471
2003-04	1,010,540	21,470	468,180	71,991	13,356	63,047	2,123,510	3,772,094
2004-05	\$ 1,124,437	\$ 28,813	\$ 497,583	\$ 84,338	\$ 8,066	\$ 82,285	\$ 473,520	\$ 2,299,042

## CITY OF ONAWA, IOWA

TABLE III

## Property Tax Levies and Collections

Last Ten Fiscal Years

<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>
1995-96	\$ 514,714	\$ 507,229	98.50%	\$ 4,355
1996-97	531,217	523,745	98.59	4,636
1997-98	575,979	569,313	98.84	4,928
1998-99	523,051	519,651	99.35	4,842
1999-00	544,844	536,954	98.55	5,689
2000-01	544,579	533,282	97.93	5,086
2001-02	568,509	555,848	97.77	5,261
2002-03	594,770	580,538	97.61	5,673
2003-04	552,236	544,837	98.66	5,634
2004-05	\$ 612,963	\$ 587,517	95.85%	\$ 5,863

TABLE IV

## Assessed and Taxable Value of Property

Last Ten Fiscal Years

<u>Collection Year</u>	<u>Real Property</u>		<u>Personal Property</u>	
	<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
1995-96	\$ 48,309,323	\$ 35,918,741	\$ 851,925	\$ 851,925
1996-97	54,001,115	36,124,935	1,145,047	1,145,047
1997-98	54,066,576	35,307,268	1,093,729	1,093,729
1998-99	68,886,186	45,033,276	407,992	407,992
1999-00	69,283,251	46,774,491	297,923	297,923
2000-01	82,515,977	53,986,280	184,202	184,202
2001-02	85,284,452	57,317,876	110,247	110,247
2002-03	91,249,971	55,719,712	\$ 66,148	\$ 66,148
2003-04	91,062,986	58,404,414	-	-
2004-05	\$ 92,909,936	\$ 57,335,289	-	-

<u>Total Tax Collections</u>	<u>Ratio of Total Tax Collections to Total Tax Levy</u>
\$ 435,009	99.51%
511,584	99.30
528,381	99.47
574,241	99.70
524,493	100.28
542,643	99.60
538,368	98.86
561,109	98.70
580,211	98.56
550,471	99.68
\$ 593,300	96.81%

<u>Utilities</u>		<u>Total</u>		<u>Ratio of Total Taxable Value</u>
<u>Assessed Value</u>	<u>Taxable Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>	
\$ 1,978,853	\$ 1,923,624	\$ 51,140,101	\$ 38,694,290	75.60%
2,017,110	2,006,787	57,163,272	39,276,769	68.71
2,026,765	2,026,765	57,187,070	38,427,762	67.20
2,075,304	2,067,484	71,369,482	47,508,752	66.57
1,980,002	1,980,002	71,561,176	49,052,416	68.55
1,508,501	1,508,501	84,208,680	55,678,983	66.12
1,408,426	1,408,426	86,803,125	58,836,549	67.78
1,308,730	1,308,730	92,624,849	57,094,591	61.64%
1,607,102	1,607,102	92,670,088	60,011,516	64.76%
\$ 406,150	\$ 406,150	\$ 93,316,086	\$ 57,741,439	61.88%

CITY OF ONAWA, IOWA

TABLE V

Property Tax Rates and Tax Levies  
Direct and Overlapping Governments  
(Per \$1,000 of Assessed Value)  
Last Ten Fiscal Years

<u>Year</u>	<u>City</u>	<u>School District</u>	<u>County Consolidated</u>	<u>Area Vocational School</u>	<u>State Levy</u>	<u>Total</u>
1995-96	13.43059	11.13575	5.93681	.53795	.005	31.04610
1996-97	13.88406	10.53120	6.03568	.53266	.005	30.98860
1997-98	14.66973	10.61512	5.86845	.60796	.005	31.76626
1998-99	12.36841	11.03105	5.61720	.59515	.005	29.61681
1999-00	12.57794	10.38155	5.37794	.55951	.005	28.90194
2000-01	11.82399	10.74693	5.36311	.60985	.005	28.54888
2001-02	12.03710	10.91229	6.29521	.62121	.005	29.87071
2002-03	11.92593	10.95505	6.45078	.94866	.004	30.28442
2003-04	12.20166	11.84505	6.38161	.54141	.004	30.97373
2004-05	13.65668	12.34320	6.86233	.57204	.004	33.43825

TAX LEVIES

1995-96	\$ 514,714	\$ 430,890	\$ 229,721	\$ 20,816	\$ 193	\$ 1,196,334
1996-97	531,217	413,632	237,062	20,921	196	1,203,028
1997-98	575,979	407,915	225,511	22,755	192	1,232,352
1998-99	523,051	524,071	266,866	28,275	238	1,342,501
1999-00	544,844	509,236	263,799	27,445	245	1,345,569
2000-01	544,579	598,378	298,613	33,956	278	1,475,804
2001-02	568,509	642,041	370,388	36,550	294	1,617,782
2002-03	594,770	634,348	373,530	54,932	232	1,657,812
2003-04	552,236	710,839	382,970	32,491	240	1,678,776
2004-05	\$ 612,963	\$ 712,714	\$ 396,240	\$ 33,030	\$ 231	\$ 1,755,178

State law limits maximum tax rate for the General Fund to \$8.10 per thousand dollars of assessed valuation (100 percent basis) effective July 1, 1976.

Limitation does not include debt service.

Taxes Due July 1.

Taxes Delinquent First Half - October 1; Second Half - April 1.

Penalties for Delinquency: 1 Percent per month.

Discount Allowed: None

Uncollected Taxes Handled as Follows: Delinquent real estate tax list published in newspaper prior to May 16.

Taxes collected by Monona County and distributed to the City of Onawa in proportion of its levy to all levies.

Tax Sale Date: First Monday in June.



## CITY OF ONAWA, IOWA

TABLE VI

Special Assessment Collections  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Ratio of Collections to Amount</u>	<u>Total Outstanding Due Assessments</u>
1995-96	\$ 978	0	0	0
1996-97	*			
2001-02	140,038	19,792	14.13	120,246
2002-03	120,246	12,029	10.00	108,217
2003-04	\$ 174,527	\$ 46,788	26.81%	\$ 127,739

\* All paid at fiscal year end 1995-96

+ Filed 2001-02 - Property owners had until June 30, 2003 before the interest and schedule started.

TABLE VII

Ratio of Net General Obligation Bonded Debt  
to Assessed Value and Net General Obligation Bonded Debt Per Capita  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Population</u>	<u>Taxable Value</u>	<u>Gross Bonded Debt</u>	<u>Less: Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Taxable Value</u>	<u>Net Bonded Debt Per Capita</u>
1995-96	2,936	\$ 38,694,290	\$ 485,000	-	\$ 485,000	.013 to 1	\$ 165.19
1996-97	2,936	39,276,769	1,375,000	-	1,375,000	.035 to 1	468.32
1997-98	2,936	38,427,762	1,380,000	\$ 29,444	1,350,556	.035 to 1	459.99
1998-99	2,936	47,508,752	1,239,286	22,495	1,216,791	.026 to 1	414.44
1999-00	2,936	49,052,416	1,098,572	13,397	1,085,175	.022 to 1	369.61
2000-01	3,091	55,678,983	972,857	\$ 1,872	970,985	.017 to 1	314.13
2001-02	3,091	58,836,549	847,143	-	847,143	.014 to 1	274.07
2002-03	3,091	57,904,591	711,429	-	711,249	.012 to 1	230.10
2003-04	3,091	60,011,516	2,151,429	-	2,151,429	.036 to 1	696.03
2004-05	3,091	\$ 57,741,439	\$ 1,995,715	-	\$ 1,995,715	.035 to 1	\$ 645.65

## CITY OF ONAWA, IOWA

TABLE VIII

## Computation of Legal Debt Margin

June 30, 2005

Assessed Property Value		
Real Estate and Corporation	\$ 92,232,101	
Agland	<u>1,083,985</u>	
Total Actual Valuation	\$ <u>93,316,086</u>	
Debt Limit - 5% of Total Actual Valuation		\$ 4,665,804
Amount of Debt		
Applicable to Debt Limit:		
Total Bonded Debt ( Including Warrants Payable)		<u>1,995,715</u>
Legal Debt Margin		\$ <u>2,670,089</u>

TABLE IX

## Computation of Direct and Overlapping Debt

June 30, 2005

<u>Name of Governmental Unit</u>	<u>Percentage Applicable Net Debt*</u>	<u>To This Governmental Unit</u>	<u>City of Onawa Share of Debt</u>
City of Onawa, Iowa	\$ 1,995,715	100%	\$ 1,995,715
Monona County	-		-
West Monona School	-		-
Total	\$ <u>1,995,715</u>		\$ <u>1,995,715</u>

\* Net debt outstanding is total bonds outstanding less funds available for debt service.

## CITY OF ONAWA, IOWA

TABLE X

Ratio of Annual Debt Service Expenditures for  
General Bonded Debt to Total General Expenditures  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Ratio of Debt Service to Total General Expenditures</u>
1995-96	\$ 65,000	\$ 36,928	\$ 101,928	\$ 685,611	14.80%
1996-97	70,000	32,665	102,665	731,804	14.03
1997-98	70,000	85,818	155,818	1,013,318	15.37
1998-99	130,000	72,882	202,882	909,597	22.30
1999-00	130,000	65,133	195,133	844,152	23.12
2000-01	115,000	57,227	172,227	851,002	20.24
2001-02	115,000	50,595	165,595	931,644	17.77
2002-03	125,000	43,878	168,878	1,024,885	16.48
2003-04	60,000	67,148	127,148	1,081,972	11.75
2004-05	\$ 145,000	\$ 85,887	\$ 230,887	\$ 1,027,126	22.48%

## CITY OF ONAWA, IOWA

TABLE XI

Water Revenue Bond Coverage  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Revenues</u>	<u>Direct Operating Expense</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirements</u>			
				<u>Princi- pal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
1995-96	\$ 258,366	\$ 244,731	\$ 13,635	\$ 46,288	\$ 3,044	\$ 49,332	.28
1996-97	262,732	235,602	27,130	35,594	460	36,054	.75
1997-98	*						

\* - Paid off in 1996-1997.

TABLE XII

## Demographic Statistics

	(1)	(1)	(1)	(2)	(3)
<u>Per Fiscal Year</u>	<u>Population</u>	<u>Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Monona County Unemployment Rate</u>
1970	3,154	\$ 2,659	38.3	1,154	4.1 %
1980	3,283	7,168	39.2	833	5.4 %
1990	2,936	10,826	43.2	733	4.2 %
2000	3,091	17,928	42.3	679	3.1%

## Sources:

- (1) Bureau of Census
- (2) Annual School Census
- (3) Iowa Department of Job Service

## CITY OF ONAWA, IOWA

TABLE XIII

## Property Value, Construction, and Bank Deposits

## Last Ten Fiscal Years

Fiscal Year	Commercial (1) Construction		Residential (1) Construction		Bank (2) Deposits (in Thousands)
	No. of Units	Value	No. of Units	Value	
1995-96	6	\$ 186,895	4	\$ 413,255	\$ 78,157
1996-97	(3)	605,030	38	5,114,053	78,101
1997-98	6	1,611,709	4	942,664	75,655
1998-99	3	3,349,853	1	6,482,623	80,342
1999-00	(6)	389,133	3	1,027,724	84,020
2000-01	(6)	1,371,424	3	1,350,230	82,253
2001-02	(3)	2,229,289	3	3,543,752	83,553
2002-03	(3)	( 24,634)	(7)	641,368	83,867
2003-04	(2)	( 28,771)	(3)	2,585	93,954
2004-05	21	\$ 3,125,585	(1)	\$ ( 267,178)	\$ 85,037

The 2004-2005 information includes annexed property (including land).

(1) Includes new construction and remodeling.

(2) Combined deposits in three banks (Source: Bank Financial Statements).

TABLE XIV

Principal Taxpayers  
June 30, 2005

<u>Taxpayer</u>	<u>FY2004-05 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Regal Manors of Onawa, Inc.	\$ 2,299,145	2.46%
Western Iowa Cooperative	1,659,824	1.23
Onawa – Pam Limited Partnership	1,146,494	1.23
Westendorf, Inc.	1,061,653	1.14
Vetter Equipment	1,015,000	1.09
Bradley Properties, LLC	824,000	.88
NILS Holdings LLC	738,098	.79
Brett and Debra Ewing	647,179	.69
Longlines, Inc.	629,559	.68
Burgess Health Center	597,279	.64
Total	\$ <u>10,618,231</u>	<u>11.38%</u>

CITY OF ONAWA, IOWA

TABLE XVI

Miscellaneous Statistics  
June 30, 2005

Date of Incorporation	1859
Form of Government	Mayor - Council
Area	4.7
Miles of Streets	40
Number of Street Lights	357
Fire Protection:	
Number of Stations	2
Number of Volunteer Firemen	22
Police Protection:	
Number of Stations	1
Number of Policemen and Officers	6
Education:	
Number of Schools	1 Public (Elementary, Middle, High School Early Childhood Development)
Municipal Water Department:	
Number of Consumers	1,454
Average Daily Consumption	495,378 Gallons
Miles of Water Mains	39 Miles
Miles of Sewers:	
Sanitary Sewers	28 Miles
Lift Stations	4
Building Permits Issued 2004-05	87
Recreation and Culture	
Number of Parks	4
Number of Libraries	1
Number of Volumes	24,835
Total Library Circulation	29,733

COMMENTS AND RECOMMENDATIONS

CITY OF ONAWA, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2004

Part I: Summary Of Auditors' Results

- A. An unqualified opinion was issued on the financial statements.
- B. A reportable condition in internal control over financial reporting was disclosed by the audit of the financial statements including a material weakness. See 05-II-A
- C. The audit did not disclose any noncompliance which is material to the financial statements.

Part II: Findings Related to the General Purpose Financial Statements

05-II-A Segregation of Accounting Functions

Observation - An important aspect of internal control is the segregation of accounting functions among employees. Several incompatible accounting functions regarding cash receipts are handled by the same employee.

Recommendations - We recommend that one employee be designated to open the mail and make a prelist of receipts, one employee post the receipts and the employee who opens the mail make the bank deposit.

Response - Due to the limited number of personnel in the office, it is not feasible at this time to break down the segregation of duties any further.

Conclusion - We realize that there are limited number of personnel available and we agree with the City's response. Our purpose in making this observation is to remind management of the careful attention and scrutiny of the records that is necessary when a limited number of personnel are available which makes ideal control impossible.

Part III: Other Findings Related to Required Statutory Reporting

- 05-III-A Official Depositories - A resolution naming official depositories has been adopted by the City Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.



05-III-B Certified Budget - The City amended its budget during the fiscal year ended June 30, 2005, but the amended budget was not adopted by May 31 or before disbursements exceeded the function budget as required by the Code of Iowa. In addition, the notice of public hearing on the amendment was published less than ten days prior to the hearing. Finally, City disbursements during the year exceeded the amount budgeted in the Public Safety function.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. The Public Safety function budget should have been examined more carefully at the time the amendment was prepared.

Response - Future budget amendments, if necessary, will be examined and adopted in a timely manner, as provided by the Code of Iowa.

Conclusion - Response accepted.

05-III-C Entertainment Expense - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

05-III-D Travel Expense - No expenditures of City money for travel expense of spouses of City officials and/or employees were noted.

05-III-E Business Transactions - No business transactions between the City and City officials or employees were noted.

05-III-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions, but we suggest that the City review its coverage with the council and insurance agent on an annual basis.

05-III-G Council Minutes - The minutes record was examined and appeared to give a condensed, accurate account of business transacted by the council. The City has represented to us that we were furnished a complete and official copy of all minutes of all meetings of the council.

05-III-H Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

05-III-I Financial Condition - There were fund deficits in the following individual funds:

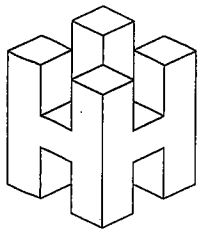
Special Revenue - TIF	\$ 596,428
Debt Service	\$ 8,348
Capital Project - Library Expansion	\$ 345,240
Capital Project - 2004 Street Project	\$ 155,315
Capital Project - 2005 Street Project	\$ 9,949
Capital Project - Community Center	\$ 71,521
Capital Project - 15 <sup>th</sup> & Marble Street	\$ 17,424

Recommendation - The City should monitor these funds and investigate alternatives to eliminate these deficits.

Response - The City intends to finance these deficits from various resources including general funds, special assessments to be collected, and future property tax levies.

Conclusion - Response accepted.

CITY OF ONAWA, IOWA



HENJES, CONNER &  
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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and  
Members of the City Council  
City of Onawa, Iowa

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ONAWA, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 21, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Onawa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Onawa's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in Part II of the accompanying Schedule of Findings and Questioned Costs, as Item 05-II-A.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider Item 05-II-A to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Onawa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Onawa and other parties to whom the City of Onawa may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Onawa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Henjes, Connor & Williams, P.C.*  
Certified Public Accountants

Sioux City, Iowa  
September 21, 2005